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Macroeconomic policy questions: financing of development, including net transfer of resources between developing and developed countries

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Odyek Agona (Uganda), on the basis of informal consultations held on draft resolution A/C.2/53/L.4

The financial crisis and its impact on growth and development, especially in the developing countries

The General Assembly,

Reaffirming its resolution 52/180 of 18 December 1997 on global financial flows and their impact on the developing countries, as well as the Economic and Social Council ministerial communiqué on market access of 7 July 1998,

Also reaffirming that global financial flows, in the context of financial globalization, have presented Governments, the multilateral financial institutions and the international community at large with new challenges and opportunities, and that they should constitute a very important element of the dialogue between the United Nations systems and the Bretton Woods institutions,

Mindful of the vital role of financing for developing and fostering the economic development of the developing countries, and emphasizing the importance of adequate financial resources for development,

Recognizing the benefits of the increasing integration of global markets and the important role of financial capital flows for promoting economic development and social welfare,

Deeply concerned at the overall declining trend of official development assistance, which is a significant external resource for financing development and an important source of support to the efforts of developing countries, in particular least developed countries, to create an enabling environment for eradicating poverty and tackling basic social needs, especially where private capital flows may either be inadequate or unavailable,

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Regretting that the current crisis in financial markets, characterized, *inter alia*, by massive and sudden outflows of capital from the affected countries and the sharp decline in private capital flows to developing countries and some economies in transition, has resulted in higher interest rate spreads, leading to a significant slowdown in economic activity,

Welcoming the continued efforts of the countries affected by the crisis to restore financial and economic stability, ease the social impact of the crisis and put their economies on the path of recovery, and in this context welcoming also the continued support of the international community, including the multilateral financial institutions, to the affected countries,

Deeply concerned that the international financial crisis has acquired extremely worrying dimensions, posing a threat to world economic development, and that if it were allowed to continue financial turmoil could result in major setbacks to the global economy, in particular to the progress that most developing countries have achieved in the 1990s,

Expressing concern at the negative effects of the financial crisis on international trade, in particular the sharp reduction in commodity prices and its negative effects on the development prospects for developing countries and some economies in transition, and emphasizing that keeping all markets open, in accordance with multilateral trade rules, and maintaining continued growth in world trade are key elements in overcoming the crisis, and in this context rejecting the use of any protectionist measures,

Expressing concern that the financial crisis has also seriously affected the growth and development prospect of least developed countries,

Recognizing that the current crisis has exposed weaknesses in the international financial system and the urgent need to work on a wide range of reforms to create a strengthened international financial system with a view to enabling it to deal more effectively and in a timely manner with the new challenges of global financial integration,

Welcoming the convening of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions held in New York on 18 April 1998 and the convening of the meeting of the World Bank's "Exchange Programme" with a delegation of United Nations ambassadors, led by the President of the Economic and Social Council held at Washington, D.C., on 27 and 28 May 1998,

1. *Takes note* of the report of the Secretary-General entitled "Global financial flows and their impact on developing countries: addressing the matter of volatility,[1] the *World Economic and Social Survey*, 1998 and the *Trade and Development Report*, 1998;

2. *Stresses* the importance of having an enabling international environment and a strong cooperative effort by all countries and institutions to support crisis-hit countries and to prevent further contagion, and calls on all countries, particularly major industrialized countries, which have significant weight in influencing world economic growth, to adopt and pursue policies conducive to economic growth and to promote a favourable external economic environment for the recovery of the affected countries and countries in a critical economic situation;

3. *Also stresses* the importance at the national level of sound macroeconomic policies and policies aimed at strengthening the institutional capacities and regulatory frameworks, especially the regulatory and supervisory systems of the domestic financial and banking sectors;

[1] A/53/398.

4. *Emphasizes* that the international financial institutions, in providing policy advice and prescriptions in the context of adjustment and financial crisis programmes, should ensure that they are sensitive to the specific circumstances of the concerned countries and to the special needs of developing countries and work towards the best possible outcome for the economies concerned;

5. *Recognizes* the importance of accelerating the growth and development prospect of least developed countries, which remain the poorest and most vulnerable segment of the international community, and calls upon development partners to carry on their efforts to increase official development assistance, and their efforts aimed at strengthened debt relief, improved market access and enhanced balance-of-payments support;

6. *Stresses* the need for continued and constructive dialogue in the appropriate forums among developed and developing countries on issues related to strengthening and reforming the international financial architecture;

7. *Also stresses* the need for the international community to continue to work together in formulating a global approach towards financial crisis, and in this regard welcomes the efforts undertaken to strengthen further the cooperation and collaboration among the United Nations system, the International Monetary Fund, the World Bank, the regional development banks, the World Trade Organization and other relevant international economic institutions in the areas of common and complementary objectives;

8. *Stresses* the importance of the open high-level dialogue between the Economic and Social Council and the Bretton Woods institutions, and invites the Secretary-General to further support the Economic and Social Council in the organization of the high-level dialogue in 1999, in accordance with Assembly resolution 50/227 of 24 May 1996;

9. *Recognizes* the need to improve the capacities and modalities of the international financial institutions with regard to the prevention, management and resolution in a timely and effective manner of international financial crises;

10. *Stresses* the importance of strengthened collaboration between the World Bank and the International Monetary Fund in specific areas where collaboration is needed, such as the financial sector, while recognizing the specific mandates of the two institutions, and also stresses the need for the institutions dealing with financial crises to keep in mind the overall objective of facilitating long-term development;

11. *Stresses* the need to endow the International Monetary Fund with adequate resources to provide emergency financing to countries affected by financial crises, as a result, among others, of the high volatility of international capital flows, and in this context also stresses the importance of sound macroeconomic policies and policies aimed at strengthening the institutional capacities and regulatory frameworks;

12. *Also stresses* the need to strengthen the international and national financial systems through a more effective national, regional and international surveillance of both public and private sectors, based upon the improvement of the availability and transparency of information, as well as the strengthening of the role of the International Monetary Fund in this regard, and the collaboration of the World Bank with technical assistance and capacity-building in this matter;

13. *Invites* the International Monetary Fund and relevant international regulatory bodies to consider as quickly as possible additional regulatory and disclosure measures to ensure greater transparency of financial market participants, including international institutional investors, particularly of highly leveraged operations;

14. *Encourages* the Interim Committee of the Board of Governors of the International Monetary Fund and other relevant forums to expedite work relative to the greater involvement of the private sector in preventing and resolving financial crises;

15. *Emphasizes* that the opening of the capital account must be carried out in an orderly, gradual and well-sequenced manner, keeping its pace in line with the strengthening of countries' ability to sustain its consequences, underscores the crucial importance in this regard of solid domestic financial systems and of an effective prudential framework, and invites the International Monetary Fund, the World Bank and relevant international regulatory bodies to contribute to this process;

16. *Calls on* the international community to pursue national and international efforts, at the intergovernmental and inter-agency levels, to contribute to minimizing the excessive volatility of global financial flows, and to distribute in a more equitable manner the costs of systemic adjustments between the public and private sectors;

17. *Invites* the International Monetary Fund to facilitate the dialogue among relevant actors to consider the possibility of establishing regulatory framework for short-term capital flows and trade in currencies;

18. *Recognizes* that a most important question that needs to be addressed by the international community in the process of globalization is the need to mobilize resources for such goals as poverty eradication, human resources development, and health and education;

19. *Welcomes* the efforts of the World Bank to help Governments to address the social consequences of crises, including strengthening social safety nets for the most vulnerable;

20. *Requests* the Secretary-General, in close cooperation with all relevant entities of the United Nations, including the United Nations Conference on Trade and Development, within their respective existing mandates, and in consultation with the Bretton Woods institutions, to analyse the current trend in global financial flows and modalities to improve early warning prevention and response capabilities for dealing with the emergence and spread of financial crises in a timely manner, taking a comprehensive and long-term perspective, while remaining responsive to the challenges of development and the protection of the most vulnerable countries and social groups;

21. *Also requests* the Secretary-General, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to report to the General Assembly at its fifty-fourth session on the implementation of the present resolution.